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July 10, 2003

## VIA ELECTRONIC FILING

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

Re: Oral *Ex Parte* Communication, CC Docket No. 99-273

Dear Ms. Dortch:

This letter is being filed to notify you that on July 9, 2003, Lois Pines and the undersigned, on behalf of InfoNXX, Inc., met with K. Dane Snowden and Richard Smith of the Consumer and Governmental Affairs Bureau. We discussed the attached presentation, focusing in particular on the benefits that consumers would realize from the introduction of competition in the wireline retail directory assistance market. We also distributed copies of InfoNXX's *ex parte* letter of June 25, 2003 and the ATIS/NIIF document, *555 Technical Service Interconnection Arrangements*, ICCF 96-0411-014 (reissued Sept. 10, 1999), both of which have already been filed in the record of this proceeding.

Please address any questions to the undersigned.

Sincerely,

  
Mary Newcomer Williams

*Attorney for InfoNXX, Inc.*

Attachment

cc: Mr. K. Dane Snowden  
Mr. Richard D. Smith

# **FCC Retail DA Proceeding**

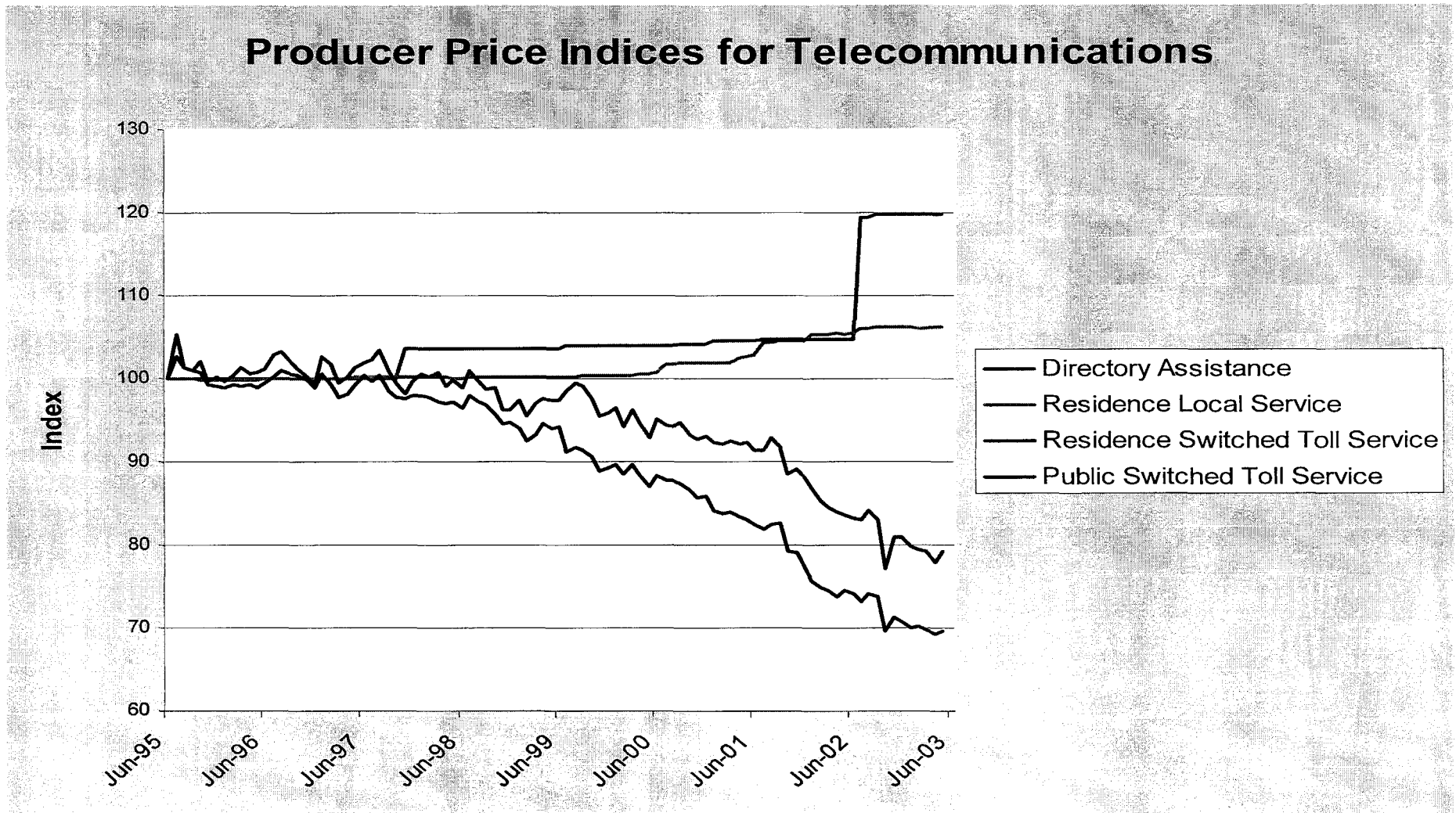
## FCC Retail DA Proceeding

### FCC Action To Promote Wireline Retail DA Competition Is Long Overdue

- 1996 Telecom Act sought to promote competition in *all* telecommunications markets
- The \$5 billion wireline DA sector has been left out of the FCC's pro-competitive efforts
  - Wireline DA is still controlled almost exclusively (through 411) by ILECs; nonlocal DA products through 411 have *tightened* ILEC control of the wireline retail DA market
  - Wireline DA prices have been *increasing* since the 1996 Act

# FCC Retail DA Proceeding

## Producer Price Indices for Telecommunications



Source: Keith Brown, Industry Analysis and Technology Division, FCC, Reference Book of Rates, Price Indices, and Household Expenditures for Telephone Service (July 2002). Supplemented by BLS, Producer Price Index Revision-Current Series (June 2003). February through May 2003 are preliminary and subject to revision. The PPI for Directory Assistance (DA) (BLS 4813#11401) represents the selling prices that LECs receive for providing DA ("411") to their customers. The index does not differentiate between local and national DA provided by a LEC. The index is sensitive to the number of "free" inquiries permitted by a LEC – *i.e.*, if a customer consistently makes five DA calls per month and the number of permitted "free" inquiries per month declines, the index would show an increase in price.

## FCC Retail DA Proceeding

### **Benefits Of Retail DA Competition**

- Improved Service Quality: Competitive wholesale DA providers consistently offer higher service quality than incumbent wireline providers (Paisley Research).
- Enhanced Services: Services pioneered by competitive DA providers include free “call completion,” driving directions, movie listings, restaurant reservations, Spanish-language DA, weather conditions, stock quotes and sports scores.
- Lower Prices: InfoNXX expects to offer enhanced DA services at prices well below prevailing LEC rates for nonlocal DA.
- Economic Stimulus/Market Growth: European experience shows retail DA competition results in new investment in infrastructure and marketing, resulting in significant new job growth. Innovative service offerings and increased consumer awareness resulting from retail DA competition can increase DA call volumes for all providers.

## **FCC Retail DA Proceeding**

### **Wireline Retail DA NPRM:** **Essential Questions**

1. Can the retail DA market sustain competition?
2. Will consumers respond to DA competition?
3. How best can the FCC bring retail DA competition to this sector of the telecommunications industry?

## FCC Retail DA Proceeding

### Retail DA Competition In The E.U. “If You Build It, They Will Come”

- The European experience shows that competitors will enter the DA market, and consumers will make use of competitive services, if the regulatory model is right.
- Where regulatory policies assure real numbering parity between DA/DQ providers, competitive providers are investing in and consumers are using new DA/DQ services.

## **FCC Retail DA Proceeding**

### **“If You Build It, They Will Come”** **The U.K. Example**

- Since new DA codes went into service on 12/10/02, ten new competitors have spent some £10 million marketing their DA codes; another 10 companies are expected to launch service before August 2003 and another £90 million is expected to be spent on marketing this year. Millions more have been spent on call centers and telecom infrastructure.
- BT's figures show that about 20% of all calls originating on their network have already shifted to using the new 118 DQ access codes. The rate of switching to new services is increasing daily.
- BT believes that it will raise additional revenue per call due to new innovative services developed as a response to competition, and higher call volume due to increased advertising and innovation will generate revenue that will offset much of the potential losses.



## **FCC Retail DA Proceeding**

### **Retail DA Competition In The E.U.** **“Real” Numbering Parity Is The Key**

- European regulators have learned that removing the incumbent default code and establishing a framework where all DA providers have numbers of equal pattern and length is the only way to create effective competition.
- Germany, the U.K., Ireland, Sweden, Norway and Spain have followed this model.
- Learning from experience that numbering parity is a precondition to competition, Spain has changed its regulatory regime for the second time in only a few years. The Netherlands is in the process of reviewing its regulatory regime and is expected to require numbering parity. Initially, these countries had not required true numbering parity.
- Other regulatory regimes may produce competition initially, but it quickly fades as consumers return to the incumbent provider.

# **FCC Retail DA Proceeding**

## **Other European Models Do Not Result In Effective Competition**

- None of the other models implemented by European countries have resulted in effective competition:
  - Switzerland and France introduced new number ranges for competitors and retained the incumbent default code.
  - Denmark and Portugal reserved shorter access codes for incumbents and gave competitors longer codes.
  - Belgium and Greece required competitors to offer DA service only via premium-rate numbers, while incumbents retained their short default code.
- In each instance, after an initial surge to competitive services, competition has faded as consumers return to the shorter incumbent code.

## **FCC Retail DA Proceeding**

### **MCI, InfoNXX and Telegate Agree: 555 Numbers For All Providers – A Workable Solution**

MCI, InfoNXX and Telegate agree that implementation of 555 numbers for *all* retail DA providers is the way to jump-start competition in the retail DA market.

- Elimination of the US default codes – 411 & 555-1212 – is a prerequisite to competition.
- Consumers will readily adapt to using 555 numbers. They are already familiar with the use of 555 numbers for information services.
- ILECs already route 555 numbers – therefore, a 555 solution would not be administratively or technically burdensome.
- Eight years ago, the Commission adopted a decision that entities other than LECs should be able to use national and regional 555 numbers.